

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Joint Application of Chevron Pipe Line Company (PLC-13) and Crimson California Pipeline, L.P. (PLC-26), pursuant to Section 851 of the Public Utilities Code, for Authorization to Sell and Transfer Certain Pipeline Facilities.

Application 15-10-005  
(Filed October 16, 2015)

**DECISION APPROVING TRANSFER  
OF PUBLIC UTILITY OIL PIPELINE ASSETS****Summary**

Today's decision approves the proposed transfer of specified public utility oil pipeline assets from applicant Chevron Pipe Line Company to applicant Crimson California Pipeline, L.P. The decision also grants the applicants' motion to file under seal Exhibit A (Asset Sale Purchase Agreement) to the application. The proceeding is closed.

**1. Background**

Applicant Chevron Pipe Line Company (Chevron) is a Delaware corporation authorized to do business in the State of California. Chevron's principal place of business is located at 4800 Fournace Place, Bellaire, TX 77401. Chevron is a wholly-owned subsidiary of Chevron Corporation. Chevron Corporation is a corporation organized and existing under the laws of the State of Delaware.

Chevron owns and operates common carrier crude oil and refined product pipelines within California and is subject to the jurisdiction of this Commission. Chevron's California pipelines relevant to this application are the KLM Pipeline System, Western San Joaquin Pipeline System, and the Lost Hills Assets (collectively, the "CPUC Jurisdictional Assets").

Applicant Crimson California Pipeline, L.P. (Crimson California) is a California limited partnership. Its principal place of business is 3780 Kilroy Airport Way, Suite 400, Long Beach, CA 90806. Under the ownership structure, Crimson California's general partner is Crimson Pipeline L.P. In turn, the general partner of Crimson Pipeline L.P. is Crimson Pipeline Management, Inc. (CPMI), a California corporation. CPMI is privately held.

Crimson California was formed for the specific purpose, among others, of owning, operating, and managing hydrocarbon pipelines, and providing hydrocarbon pipeline transportation services to the public. Crimson California currently owns and operates various common carrier crude oil pipeline systems acquired pursuant to Commission authorization. In Decision (D.) 05-04-006, the Commission authorized Crimson California's acquisition of: (1) the Thums 8-inch pipeline system, which transports crude oil produced in the Long Beach Harbor area to various refineries and terminals in the Los Angeles area; (2) the Ventura gathering pipeline system, which transports crude oil produced in the Fillmore and Ventura areas to the Crimson Ventura Tank Farm; and (3) the Ventura 10-inch pipeline system, which transports crude oil from the Crimson Ventura Tank Farm and crude oil produced in the Inglewood area to various refineries in the Los Angeles area. D.07-12-046 authorized Crimson California's acquisition of the Line 600 pipeline system and the Line 700/East Crude pipeline system and its associated gathering pipelines, which generally parallel Crimson

California's pre-existing pipeline systems. D.10-12-005 authorized Crimson California's acquisition of certain common carrier crude oil pipelines identified as CPL's Ingelwood and Northam crude systems.

Chevron and Crimson California have executed an Asset Sale Purchase Agreement (Exhibit A to the application), which sets forth the terms and conditions under which certain pipeline assets currently devoted to public utility service will be sold by Chevron to Crimson California. Under the agreement, following receipt of Commission approval and satisfaction of other conditions to closing, certain pipeline assets will be transferred to Crimson California, which will own and operate these pipeline assets as a common carrier pipeline corporation, subject to the jurisdiction of this Commission.

Crimson California states that it intends to own and operate these pipeline assets consistent with their existing authorized uses, while seeking to maximize efficiencies. Crimson intends to look for opportunities to expand the scope of services currently provided by or through the CPUC Jurisdictional Assets by possibly adding new receipt points, new truck unloading receipt facilities, and perhaps new delivery destinations. Crimson California will adopt the Commission-approved tariff rates and terms and conditions currently applicable to the active routes on these pipeline assets. Customers will continue to have access to the same breadth of options that they had prior to this transaction; therefore the transfer of these assets would not raise anti-competitive issues, according to the applicants. In addition, there will be no practical effect on how existing services are delivered to customers from the viewpoint of those customers, other than the fact that these services will be rendered under the name of Crimson California and not Chevron.

The Asset Purchase Sale Agreement (ASPA) describes the assets and properties Crimson California will take under the proposed transfer. These consist chiefly of the regulated crude oil pipeline systems that Chevron is selling to Crimson California, namely, the KLM Pipeline System, Western San Joaquin Pipeline System, and the Lost Hills Assets. The agreement also identifies the real property interests involved in the transaction, and the rights-of-way, permits, and contracts that will be transferred from Chevron to Crimson California. The net book value, including deferred losses, of the CPUC Jurisdictional Assets as of August 31, 2015 is \$42,269,202. The original cost of the CPUC Jurisdictional Assets is \$70,570,720.

The applicants represent that Crimson California, which the Commission has previously determined to have the requisite capability to own, manage, operate, and maintain public utility pipeline assets, is equipped to manage the extra load associated with the regulated assets that it intends to acquire. Crimson California plans to continue to staff the public utility operations with professional, experienced pipeline operators. Crimson California's President and Operations Manager each have approximately 30 years of experience in the pipeline business, and it will continue to use the services of outside professionals as needed, in areas such as engineering and accounting. Crimson California believes it will be able to manage the acquired public utility assets so as to optimize their economic efficiency, consistent with the obligation to maintain the safety and reliability of the pipeline operations. Chevron, on the other hand, would like to dispose of these public utility assets because their retention under Chevron's ownership is no longer consistent with its business and investment objectives. For these reasons, the applicants believe the proposed transaction is in the public interest.

As evidenced by Exhibit G to the application the applicants have notified Chevron's General Order 96-B service list of the filing of this application and its availability upon request. There have been no protests to the application.

## **2. Discussion**

On the basis of the record, we find that approval of the proposed purchase and sale is in the public interest. Chevron is a willing seller; Crimson California is a willing and qualified buyer. Shippers will be served under the tariff rates and terms and conditions currently applicable for these pipeline systems. There is no apparent reason why Chevron's customers would prefer service from the current ownership instead of service from Crimson California. No protest to the application was filed. We conclude that the application should be approved.

Approval of a transfer of public utility assets, such as the oil pipeline systems that Chevron proposes to sell to Crimson California, is a discretionary act by the Commission, so we must determine whether environmental review of the proposed transfer is required under the California Environmental Quality Act (CEQA). In this case, as we discuss below, there will be no physical change in the underlying pipeline operations resulting from the transfer.

The applicants represent that Crimson California will own and operate the regulated assets as a common carrier pipeline corporation subject to this Commission's jurisdiction. They further represent that Crimson California will manage the regulated assets consistent with existing uses authorized by the Commission and in continued compliance with all applicable laws.

More specifically, the applicants represent that the present transfer of assets will not result in any change in the product carried by the regulated pipelines, nor will it result in any change to the customers using the regulated pipelines or the volumes of product currently transported. Aside from routine

operating and maintenance requirements,<sup>1</sup> no construction or modification of the existing physical plant facilities is contemplated. No material changes to any applicable permits will be required as a result of the transaction, and the ownership, operation, and maintenance of the assets will continue to be governed by the same federal and state safety regulations that are currently applicable to the assets.

We conclude that from this transfer, in and of itself, there is no reasonably foreseeable direct or indirect physical change in the environment. Furthermore, the Commission has exempted projects from CEQA review where, as here, “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.” CEQA Guidelines, 14 Cal. Code of Regs. § 15061(b)(3). Therefore, no CEQA review of this proposed transfer is required. No projects or construction are approved by this decision. If Crimson intends to undertake construction to add new receipt points, new truck unloading receipt facilities, or other projects, such activity may be subject to CEQA. Crimson must file an application with the Commission before undertaking any construction of facilities or other activity subject to CEQA.

The ASPA (Exhibit A to the application) was submitted together with a motion by the applicants requesting that Exhibit A be filed under seal. The agreement sets forth the terms and conditions, including the purchase price, for the transfer to Crimson California of Chevron’s KLM Pipeline System, Western San Joaquin Pipeline System, and the Lost Hills Assets collectively referred to as the CPUC Jurisdictional Assets. The agreement has not been made public. We

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<sup>1</sup> Such activities would fall under the categorical exemption from CEQA set forth in 14 Cal. Code of Regs. § 15301, regarding existing facilities.

find that, in light of the lack of impact that the transfer will have on the customers using these pipeline systems, the public interest in disclosure of the ASPA is slight. Applicants represent that disclosure of the ASPA would harm their respective commercial interests. We find that the potential injury to private interests arising from disclosure is greater than the public interest served by making the contents of Exhibit A freely available. Pursuant to Pub. Util. Code § 583 and General Order 66-C, we grant the motion to file under seal, subject to our usual terms for treatment of confidential information.

### **3. Categorization and Need for Hearing**

Although Resolution ALJ 176-3366 initially categorized this application as ratesetting with a need for hearing, the preliminary determination was changed in the Scoping Memorandum and Ruling issued on February 17, 2016. The application is now categorized as ratesetting with no need for hearing. The application is unopposed.

### **4. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

### **5. Assignment of Proceeding**

Michael Florio is the assigned Commissioner and Katherine Kwan MacDonald is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. Chevron and Crimson California have executed an ASPA under which Chevron would transfer to Crimson California certain public utility pipeline assets, specifically, the KLM Pipeline System, the Western San Joaquin Pipeline

System, and the Lost Hills Assets, collectively referred to as the CPUC Jurisdictional assets. The transfer to Crimson California would include various real property interests, rights-of-way, permits, and contracts.

2. Crimson California proposes to adopt the Commission-approved tariff rates and tariff rules regarding other terms and conditions currently applicable to the active routes on the pipeline assets described in Finding of Fact 1. The transfer of the pipeline assets would have no practical effect on shippers, other than the fact that the services will be rendered under the name of Crimson California and not Chevron.

3. Crimson California has the financial, managerial, and technical capabilities to operate and maintain the pipeline assets described in Finding of Fact 1 in a safe and reliable manner, consistent with their existing authorized uses.

4. The transfer of pipeline assets described in Findings of Fact 1 and 2 would have no foreseeable consequences that would cause shippers to prefer retention of those assets by Chevron over transfer of those assets to Crimson California.

5. There is no reasonably foreseeable direct or indirect physical change in the environment that would occur due to the transfer of pipeline assets described in Findings of Fact 1 and 2, and it can be seen with certainty that there is no possibility the transfer would have a significant effect on the environment.

6. Public disclosure of the Purchase and Sale Agreement (Exhibit A to the application), which was submitted under seal together with a motion by the applicants requesting confidential treatment, is unlikely to benefit the public interest but could place the applicants at a commercial disadvantage.

7. The requested transfer of public utility oil pipeline assets is unopposed.



### **Conclusions of Law**

1. The purchase and sale of public utility pipeline assets described in Findings of Fact 1 and 2 should be approved.
2. The purchase and sale of public utility pipeline assets described in Findings of Fact 1 and 2 should not be subject to review under CEQA.
3. Crimson should file a new application if it intends to undertake construction to add new receipt points, new truck unloading receipt facilities, or other projects, if such activity may be subject to CEQA.
4. The applicants' motion to file the Asset Sale Purchase Agreement (Exhibit A to the application) under seal should be granted, subject to the Commission's usual terms for treatment of confidential information.
5. The preliminary determination that hearings are necessary should be changed to "No hearings are necessary."
6. This is an uncontested matter in which today's decision grants the relief requested, and the otherwise applicable comment period should be waived.
7. To enable the proposed purchase and sale to be completed promptly, today's decision should be made effective immediately.

### **O R D E R**

#### **IT IS ORDERED** that:

1. The application of Chevron Pipe Line Company and Crimson California Pipeline, L.P., for approval of a purchase and sale of the KLM Pipeline System, Western San Joaquin Pipeline System, and the Lost Hills Assets is approved.
2. The purchase and sale authorized of the KLM Pipeline System, Western San Joaquin Pipeline System, and the Lost Hills Assets must be completed within

12 months of the effective date of today's decision. The authority will expire if not so completed within that period.

3. Within 30 days of completing the purchase and sale authorized in Ordering Paragraph 1, Crimson California Pipeline, L.P., must send a letter to the Director of the Energy Division confirming the completion of the purchase and sale.

4. The Purchase and Sale Agreement (Exhibit A to the application) is accepted for filing under seal, and must remain under seal for two years from the effective date of today's decision. During this two-year period, Exhibit A may not be made accessible or disclosed to anyone other than Commission staff except pursuant to (a) the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge, or the Administrative Law Judge then designated as Law and Motion Judge, or (b) the terms of a reasonable nondisclosure agreement for purposes of this proceeding. If Chevron Pipe Line Company or Crimson California Pipeline, L.P., (Applicants) believes the information that today's decision places under seal should be protected beyond two years, the Applicant may state by motion the justification for further withholding the information from public inspection. The motion must explain with specificity why the information still needs protection in light of the passage of time involved, and the motion must be filed at least 30 days before expiration of the protection under today's decision.

5. Once the purchase and sale is completed, Crimson California Pipeline, L.P., shall file within 30 days a Tier 1 advice letter to submit tariff languages and rates applicable to the purchased pipeline systems.

6. No evidentiary hearings are necessary.

7. Application 15-10-005 is closed.

This order is effective today.

Dated \_\_\_\_\_, 2016, at San Francisco, California.